



Small Business Semi-Annual Payment Option (HB 484)

Frequently Asked Questions *Effective July 1, 2011*

Q: I've heard that small business will have the option for semi-annual payments of their real estate taxes. What is the definition of small business?

A: New legislation has given the option for a semi-annual payment schedule of real estate taxes to properties that are defined as "small business" by the bill. Qualifying small business properties have been assigned a **commercial use code** by the State Department of Assessments and Taxation, and for the total State, County, Municipal Corporation, and Special Taxing District property taxes for the taxable year **do not exceed \$50,000**.

Q: What does assigned a commercial use code mean?

A: The State has taken the position that only certain assessment codes qualify as a commercial property for the small business semi-annual payment option. These codes are:

- C Commercial
- I Industrial
- M Multi-family rental residential properties with four or more units built as apartments
- CC Commercial/Industrial condominiums
- RC Residential/commercial dual-use properties where the primary use is residential but there is a secondary commercial use
- CR Commercial/residential dual use properties where the primary use is commercial, but there is a secondary residential use

Q: Is the \$50,000 limit before any credits have been applied?

A: The \$50,000 limit would include property taxes after credits have been applied. For example, if the property had a gross tax bill of \$60,000 but received an historical tax credit of \$10,000, then this property would be eligible to pay semi-annually because the net bill is \$50,000.

Q: Does this include municipality real estate bills?

A: Since Frederick County bills on behalf of all municipalities in the County, these taxes are included in our bill and the semi-annual option would be applied to the bill as long as the total taxes on the bill do not exceed \$50,000.

Q: What does dual use mean?

A: The dual use codes of RC and CR apply to properties that have two uses. An RC property would primarily be a residence, but there is a secondary commercial use such as a residence that also has a dentist's office. A CR property would primarily have a commercial use, but would also have a secondary use as a residence such as a retail store with an apartment above it.

Q: I own a townhouse that I rent. Would this property qualify for the small business semi-annual payment option?

A: No. In this scenario, the State does not consider this type of use as commercial; rather, they assign a use code of residential and indicate that the property is not a primary residence.

Q: If the property is transferring, how will the semi-annual payment option affect the payment of property taxes at the time the deed is presented for recordation?

A: If the deed is presented at the Recordation Office before October 1, only the first semi-annual payment would be due. If the deed is presented on or after October 1 and the first semi-annual payment has not been made, then the entire tax bill would be due. Beginning on December 1, all taxes must be paid in full in order for the deed to be recorded.

Q: On July 1, my property qualifies as commercial under the use code but the taxes were over \$50,000. An adjustment has been made by the State that now reduces the taxes to below \$50,000. Can I take advantage of the semi-annual payment now?

A: Yes. If the State issues an adjustment to the property that reduces the taxes below the \$50,000 threshold and the property qualifies under the use code, then the Treasury Office will issue a new bill that contains a semi-annual payment option.

Q: I'm not sure if my property will qualify. How do I find out?

When the tax bills are issued on July 1, you will automatically receive a bill that contains the semi-annual option if your property qualifies. Prior to that date, the Treasury Office can verify the current use code for a specific property. The second qualification of the \$50,000 tax limit cannot be determined until the Treasury Office has calculated the actual tax bills.

